



Procurement Policy

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1.0 Policy Statement for Procurement

The purpose of this Policy is to ensure that all **Procurement Activities** carried out by TfL:

- Provide best possible value.
- Are conducted in a fair, objective and transparent manner.
- Are compliant with the regulatory framework of all relevant legislation, Standing Orders, Scheme of Delegation and other related policies.
- Use best practice in the application of ethical standards.
- Encompass the short and long term objectives of the business.
- Adhere wherever possible to GLA Responsible Procurement policy.

2.0 Organisational Scope and Compliance

- 2.1 This Policy applies to all **Employees**.
- 2.2 Only **Employees** with delegated **procurement** authority are allowed to commit expenditure to third parties. Any other **Employee** must not conduct any **Procurement Activities** unless specifically instructed. In particular, but not exclusively, **Employees** who are engaged in **Procurement Activities** are required to familiarise themselves with the content of this Policy and the other related documents, (e.g. Procedures) and comply with it.
- 2.3 **TfL** requires that agencies and consultancies make their employees aware of this policy and ensure that their employees observe it when engaged in **TfL** contracts. It is essential that relevant **Employees** ensure that agencies and consultancies are made aware of this requirement.
- 2.4 This policy is part of **Procurement's** governance structure and provides the high level framework for the detailed guidelines and other documentation is available locally in the form of standards and procedures, which support this Policy.

3.0 Guiding Principles

TfL's **Procurement Activities** will be guided by the following four principles:

3.1 ***Achieve Effective Governance and Control***

Conduct **Procurement Activities** in a manner that satisfies the requirements of accountability and internal control, fulfils **TfL's** legal and financial obligations and effectively manages commercial risk.

3.2 ***Demonstrate Sustained Value***

Achieve best possible value for **TfL**, seek continuous improvement in how **Procurement** operates and leverage economies of scale across **TfL**.

3.3 ***Apply a Consistent and Standard Approach***

Provide effective and efficient commercial arrangements for standard products and services.

3.4 ***Build and Maintain Supplier Relationships***

Recognise that in order to achieve best possible value appropriate relationships must be developed and maintained with **Suppliers**.

The detail on each of these guiding principles is outlined in the following sections.

4.0 Achieve Effective Governance and Control

4.1 Governance

Procurement Activities within TfL will be carried out to the professional standards required by best practice and in compliance with:

- All prevailing legislation including but not limited to EU and UK Procurement Law ([OJEU Guidance Map](#)) and [The Greater London Authority Act 1999](#).
- TfL's [Code of Corporate Governance](#) (including the Business Ethics Policy and Code of Conduct contained therein), Standing Orders, policies, statements, schemes of delegation and procurement procedures.
- It is the responsibility of any employee belonging to a professional organisation, such as the Chartered Institute of Purchasing and Supply to comply with the professional code of ethics required by the professional body.

4.2 Delegation of Authority

TfL will maintain a documented scheme of delegation for **Procurement** and only those **Employees** with delegated procurement authority will be permitted to make a third party commitment on behalf of TfL.

Employees with delegated procurement authority for carrying out **Procurement Activities** on behalf of TfL will be required to adhere to the requirements of [TfL Standing Order No. 2](#).

4.3 Internal Controls

(i) TfL will put in place a framework of internal controls over **Procurement Activities** that will ensure that:

- More than one person is involved in and responsible for a transaction end to end.
- Transparency is in the procurement process.
- A clearly documented audit trail exists for **Procurement Activities**.
- The appropriate authorisations are obtained and documented.
- Systems will be put in place for appropriate equality monitoring and performance measurement.

- (ii) **TfL** will publish standards and procedures in support of this Policy, which will ensure that **TfL** seeks best possible value in its **Procurement Activities**. These will focus on being relevant and appropriate whilst providing a guideline on how **Procurement Activities** within **TfL** will be carried out.
- (iii) All **Employees** are required to comply with **TfL's** [Anti-Fraud and Corruption Policy](#).
- (iv) **Procurement Activities** will be carried out in a way that supports **Employees** in meeting their obligation to ensure information of a commercially sensitive or confidential nature is obtained, stored, processed, published (where applicable) in an appropriate manner in accordance with the relevant **TfL** publications such as the [Document Retention Policy](#) and guidance on the [Freedom of Information Act 2000](#).

4.4 **Risk Management**

- (i) All **Procurement Activities** will adhere to the [Group Risk Management Policy](#). **Procurement** will ensure that risk management is appropriately applied at all stages of **Procurement Activities**. Guidance will be made available to enable **Employees** dealing with **Procurement Activities** to employ **TfL** risk management principles.
- (ii) In order to contribute to **TfL's** position on resilience which includes security and emergency, contingency and business recovery planning, **Procurement** will ensure that, where relevant, **Procurement Activities** are properly planned and carried out in a manner that will protect and enhance **TfL's** capability to prevent, withstand and recover from interruption to the supply of goods, services and works.

4.5 **Procurement Thresholds and Competition**

The selection of potential **Suppliers** is based on the need to generate effective competition whilst avoiding unnecessary tendering costs for both **Suppliers** and **TfL**.

TfL will maintain and publish clear guidelines for minimum spend competition thresholds. These will be dependent on the size and complexity of the proposed **Procurement Activity** and will comply with procurement regulations.

4.6 **Contract Terms**

All contractual relationships must be documented in writing based on **TfL** standard terms and conditions. Where this is not possible,

approval must be sought at **Procurement** Manager level or above, with advice from **TfL** Legal where relevant.

To protect the best interests of **TfL**, terms and conditions must be settled in advance of any commitment being made with a **Supplier**. Any exceptions must be authorised at **Procurement** Manager level or above.

4.7 **Endorsement**

TfL Employees must not endorse any products or services. Individual requests received for endorsement must be referred to **Procurement** Manager level or above.

4.8 **Code of conduct**

TfL Employees must not establish or maintain contractual relationships with suppliers who:

- Pirate intellectual property
- Use child, forced or bonded labour
- Fail to take appropriate measures to ensure the health and safety of their workforce and the wider public.

5.0 Demonstrate Sustained Value

5.1 *Achieving Best Possible Value*

TfL's Procurement Activities will be carried out on the basis of obtaining best possible value. This means:

Minimising total cost of ownership over the lifetime of the requirement consistent with acceptable quality, reliability and delivery considerations.

This will be facilitated by:

- Developing, implementing and managing procurement strategies that support the co-ordination and streamlining of activities throughout **TfL**.
- Effective use of competition.
- Using centralised contracts and framework agreements where appropriate.
- Identifying efficiencies in the procurement process.
- Developing a more cost efficient tender process including appropriate use of e-solutions.
- Providing competent advice to customers in terms of available products and agreements.
- Working with **Suppliers** to create relationships that are professional and productive, and are appropriate to the value and importance of supplies.

5.2 *Performance Measurement*

Procurement will establish and put in place appropriate performance measures. Reporting systems will be used to monitor performance against metrics and compliance with procurement policies, procedures and controls.

Procurement procedures, practices and costs will be benchmarked externally. Internal service standards will be agreed within **TfL** and performance against these targets will be measured and reviewed regularly to support continuous improvement.

Procurement will use the performance measurements developed to:

- Highlight trend and exceptions where necessary to enhance performance.
- Improve the internal efficiency of the procurement process and where relevant the performance of **Suppliers**.
- Facilitate relevant programmes to drive improvement in **Procurement** to eliminate waste and inefficiencies on key spend categories.

5.3 **Outsourcing**

Procurement will ensure that in-house services, where appropriate, come under consideration for outsourcing to a third party, if it is cost effective and manageable to do so, (Best Value documents on Source refer).

TfL shall:

- Treat in-house and external supply in the same way.
- Ensure any outsourcing decision is made on a like for like financial model.
- Consider if in-house capacity could be used more productively on other work.
- Consider resource availability during the demand period.
- Consider if in-house retention will develop the work force.
- Consider the commercial position regarding the supplier relationship if outsourced.
- Consider if outsourcing gives access to additional capabilities.
- Consider if outsourcing will relieve the organisation of an unprofitable or non-core activity.
- Ensure all regulations are observed.
- Ensure a post contract audit is undertaken.

If a decision to outsource occurs and this has the potential to lead to a TUPE transfer then TfL will comply with all legal aspects of the transfer including appropriate consultation with the recognised trades unions

6.0 Apply a Consistent and Standard Approach

Procurement will provide effective commercial arrangements covering standard products and standard service provisions across **TfL** to enable **Employees** to “call off” requirements in an efficient manner.

This will be achieved via standardisation of the following across TfL:

- Pricing where relevant.
- Processes, Procedures and techniques (including RP in Procurement Strategies).
- Tools and business systems (e.g. implementing the appropriate e-catalogue arrangements for customers to utilise).
- Utilisation of framework agreements.
- Application of standard contract Terms and Conditions.
- Inclusion of conditions that allow for Stage or Advanced payments where appropriate.

7.0 Build and Maintain Supplier Relationships

Procurement recognises the importance of effective and open working relationships with its **Suppliers**, and is committed to the following:

- Delivering tangible savings through the building of collaborative relationships and strategic alliances with key **Suppliers**.
- Managing **Suppliers** via the appropriate development programmes and performance measurements to ensure the benefits are delivered.
- Developing new **Suppliers** and improving the capability of existing **Suppliers** where appropriate.

It should be noted that all **Suppliers** to **TfL** are required to register details on the [TfL Supplier Registration website.](#) **Procurement** will be responsible for activating those **Suppliers** chosen to supply **TfL**.

8.0 Related Policies

In addition to the above and where relevant, **Procurement Activities** will be carried out in accordance with the relevant [TfL Policies](#), including but not limited to the following. **Procurement** will make available to **Suppliers** any relevant information on these.

8.1 *Health, Safety & Environment*

Procurement will ensure that all goods and services, and **Suppliers** thereof demonstrate a commitment to HSE and comply with the relevant legislation and elements of [TfL's HSE Policy](#) including **TfL's** HSE management system requirements. This will include the implementation of processes to ensure that HSE risks are identified and managed to an acceptable level during all relevant **Procurement Activities**. **Procurement Agents** must not establish or maintain contractual relationships with suppliers unable to demonstrate commitment in this area.

Where possible, environmental benefits will be considered as part of the procurement process, with consideration given to all relevant aspects of whole life-cycle costs of products. **TfL** is committed to specific environmental obligations as a signatory of the [Mayor's Green Procurement Code](#).

8.2 *Equality and Inclusion*

Procurement will require **Suppliers**, where appropriate, to be aligned with **TfL's** corporate objectives for equality and inclusion as outlined in [TfL's Equality & Inclusion Policy](#) and as specifically outlined under **TfL's** duty under the [Race Relations \(Amendment\) Act 2000](#).

Procurement will encourage applications for inclusion in **TfL** tendering processes from small and medium-sized enterprises and from London's diverse communities to support this activity.

8.3 *Information Compliance Policy*

Procurement will comply with the [Information Compliance Policy](#) which covers compliance with areas such as:

- [Data Protection Act 1998](#).
- [Freedom of Information Act 2000](#).

9.0 Approval and Amendments

The approval and/or amendment of the **Procurement Policy** will take place via the **Corporate Governance** guidelines and the **Procurement** internal review mechanisms as appropriate.

This policy was authorised by the Director of Commercial Services, approved by the Chief Officers Group and signed off by the **TfL** Commissioner in April 2005.

The July 2008 amendments have been authorised by the Policy Owner.

10.0 Policy Owner & Contact Details

David Young, Programme Director, Programme Team, is the designated owner of this policy.

For further information on the Policy, please contact via email: davidyoung@tfl.gov.uk or phone 020 7126 4901.

11.0 Appendix – Definitions

For the purpose of this Policy, the terms highlighted in **bold** have the meanings set out below.

Corporate Governance refers to the overall framework of TfL internal controls.

Employee refers to any person, whether on a fixed term, temporary or permanent contract, who carries out a job role, full or part-time for TfL or any of its associated legal entities on or off a TfL site.

Procurement refers to all of the Procurement functions within TfL (including all its subsidiaries).

Procurement Activity refers to any or any combination of transactions as listed below in accordance with applicable procurement procedures:

- (i) Any activity either orally or in writing which commits, or may be taken to commit, TfL (or a subsidiary) to any contractual relationship, including the issue of letters of intent and variations to contracts.
- (ii) The settlement of any claim for additional payment not covered by an existing contract or arrangement.
- (iii) The imposition of remedies for breach of a contractual commitment eg. Calling of bonds and guarantees, exercising step-in or termination rights or.
- (iv) The sale or other disposal of surplus material and assets.

Together with any discussions, negotiations or preparatory work in respect of those items.

The above are as stated in the definition of transaction in Standing Order No. 2, but Procurement Activity includes in addition:

- (v) The process of obtaining supplies, services and works including seeking formal written tenders or proposals in accordance with applicable procurement procedures.

(vi) Obtaining informal or low value quotations and/or information for budgeting purposes in accordance with applicable Procurement procedures.

Procurement Policy refers to this policy document.

Standing Orders refer to TfL's Standing Order No. 1, Decision-Making Structure and Proceedings and Standing Order No. 2, Scheme of Delegation.

Supplier refers to any third party (for example any person, individual, firm, company, consultant or agent) for goods, works or services with which TfL has entered into a contract with or is engaged in discussions for potential business opportunities with.

Transport for London (TfL) refers to all parts of the TfL Group including all its subsidiaries (as defined in section 736 of the Companies Act 1985).